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FROM: LLOYD W. PELLMAN
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RE: **Court Decision in Property Tax Case (Watson Cogeneration)**

This is to advise that the Court of Appeal issued an opinion affirming the Assessor's rationale for the appraisal of independently-owned power plants.

The Assessor appraises independent power plants enjoying long term contracts with public utilities based upon the economic value of their contract. The taxpayer challenged this practice, arguing that the Assessor was required to value the plant by projecting future spot market prices for electricity.

The Appellate Court fully affirmed the Assessor's methodology observing that the economics of the plant were premised on the contract, and the regulatory structure favoring non-traditional energy sources.

At issue in the case was \$2.5 million for the 1997 assessment year. The rationale for the decision will apply for future assessment years. Approximately 10 percent of the state's power supply is subject to regulatory-related contracts, and the Court's decision removes any doubt that consideration of these contracts is appropriate in assessing the related power plants.

LWP:AR:lm

c: Rick Auerbach
Assessor

David E. Janssen
Chief Administrative Officer

Violet Varona-Lukens, Executive Officer
Board of Supervisors